



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

10 DEC 2004

SAAL-PA

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: New Army Policy for Government Property in Possession of
Contractors

Reference: DALO-SMP Message, dated 04 NOV 2004, Subject:
Accounting for Government Furnished Equipment (GFE) and Contractor
Acquired Property (CAP) (enclosure 1).

The purpose of this memorandum is to inform you of the new property accountability policy for GFE. This policy applies to facility contracts for property located at Government-Owned, Government-Operated (GOGO) and Contractor-Owned, Contractor-Operated (COCO) facilities. Implementation of this policy is required by the end of fiscal year 2006 to meet departmental goals for complying with the Chief Financial Officer (CFO) Act of 1990.

The GFE will be accounted for on the Office of the Undersecretary of Defense (OUSD) property subsidiary general ledger system, the Defense Property Accountability System (DPAS). The DPAS is a property system administered by the Army's network of installation property book offices (IPBOs). The IPBO located on the same installation as the contracting activity will organize Government Furnished Property (GFP) Asset Listings by contract and use a DPAS hand receipt to establish fiduciary records for facility contracts at GOGOs and COCOs. The IPBOs were informed of this requirement by the referenced message.

This policy will be implemented according to the eight-step plan at enclosure 2. Questions concerning this policy may be directed to Mr. Joseph A. Pieper, SAAL-PA, at (703) 604-7003 or joseph.pieper@saalt.army.mil.

For 
E. Ballard
Deputy Assistant Secretary of the Army Deputy
(Policy and Procurement)

Enclosures

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Subject: ACCOUNTING FOR GOVERNMENT FURNISHED EQUIPMENT (GFE) AND CONTRACTOR ACQUIRED PROPERTY (CAP)

1. THIS MESSAGE ADDRESSES CHANGES TO AR 710-2 AND AR 735-5 IN REGARD TO GFE AND CAP. AN ONGOING INITIATIVE HEADED BY ASA(FM&C) HAS RESULTED IN A PLAN TO IMPROVE THE ARMY'S FINANCIAL ACCOUNTING AND REPORTING OF PROPERTY IN THE HANDS OF CONTRACTORS. THESE CHANGES WILL ALIGN THE ARMY WITH FINANCIAL ACCOUNTING PRACTICES IN ACCORDANCE WITH THE REQUIREMENTS OF THE CHIEF FINANCIAL OFFICERS (CFO) ACT OF 1990.
2. EFFECTIVE 1 NOVEMBER 2004, GFE WILL NO LONGER BE DROPPED FROM PBO RECORDS AS STATED IN AR 735-5 PARAGRAPH 2-5D BUT BE TRANSFERRED TO A GOVERNMENT FURNISHED PROPERTY (GFP) HAND RECEIPT. THE GFP HAND RECEIPT WILL BE USED TO ESTABLISH FIDUCIARY RECORDS. CONTRACTS AWARDED UNDER THE FEDERAL ACQUISITION REGULATION (FAR) 45.105(A) ARE REQUIRED TO ESTABLISH A GFP HAND RECEIPT USING DEFENSE PROPERTY ACCOUNTING SYSTEM (DPAS) WITH THEIR SUPPORTING PROPERTY BOOK OFFICE. THIS APPLIES TO ALL GFE LISTED ON THEIR CONTRACT THAT IS CONSIDERED NONEXPENDABLE PROPERTY. NONEXPENDABLE PROPERTY IS CODED WITH AN ACCOUNTING REQUIREMENTS CODE (ARC) OF "N" ON FFDOLOG. FURTHER NONEXPENDABLE PROPERTY BOOK REQUIREMENTS CAN BE FOUND IN AR 710-2, PARAGRAPH 2-5. THE CONTRACTOR IS STILL REQUIRED TO ACCOUNT FOR ALL GFE, NO MATTER THE COST, AS STATED IN THE FAR. CONTRACTS AWARDED PRIOR TO 1 NOVEMBER 2004 WILL IMPLEMENT THIS POLICY ON A SCHEDULED PHASED APPROACH WITH ON-SITE ASSISTANCE FROM AN ASA(FM &C) REPRESENTATIVE. SCHEDULE TO BE PROVIDED.
3. CHANGES TO AR 710-2 AND AR 735-5 REFLECTING THESE CHANGES WILL BE FORTHCOMING.
4. ON-SITE ASSISTANCE CAN BE SCHEDULED THROUGH ASA(FM&C) AT 703-693-3433 (DSN 223). THE ARMY G-4 POC FOR THIS MESSAGE IS CW5 CARROLL, DALO-SMP, (703) 695-6166 (DSN 225), EMAIL ADDRESS: CARROLLLM@HQDA.ARMY.MIL.

Enclosure 1

**Action Plan for Government Furnished Equipment (GFE) Accountability at
Government-Owned, Government-Operated (GOGO) and
Contractor-Owned, Contractor-Operated (COCO) facilities.**

Definition: Government Furnished Equipment (GFE) includes government furnished plant equipment, Contractor Acquired Property (CAP) that has been delivered and is plant equipment as well as Special Tooling (ST) and Special Test Equipment (STE) for which the government has title.

Step 1: Identify the population of GOGO and COCO contracts with GFE and schedule date to comply with the Chief Financial Officer Act of 1990.

a. Army has approximately 3,000 contracts with GFE. The Contract Property Management System is a database that identifies these contracts on an annual basis as of 30 September. Mr. Pieper, SAAL-PA will send an electronic spreadsheet to each Army contract activity by 1 December 2004. This spreadsheet will identify the contracts within the contract activity containing GFE, ST, STE or CAP and request unknown data is inserted in the partially completed spreadsheet.

b. The contract activity will fill-in the missing data points by 3 January 2005 for each contract in coordination with the primary program manager/requirements office that benefits from contractor use of the GFE, ST, STE and CAP. The missing data elements for each contract will be:

- (1) Name/e-mail/phone number for contracting officer,
- (2) Name/e-mail/phone number for program manager/requirements office (hand receipt holder for fiduciary GFP Asset listing),
- (3) Name/e-mail/phone number for cognizant Installation Property Book Officer
- (4) Quantity of GFE, ST, STE and CAP with acquisition cost < \$5,000,
- (5) Sum of cost for GFE, ST, STE and CAP with acquisition cost < \$5,000,
- (6) Date facility contract expires.

c. Mr. Pieper will develop the schedule by 31 January 2005. This schedule will identify when each GOGO and COCO facility contract will have fiduciary records established. This schedule will be coordinated with contracting officers and ASA(FM&C). Ideally, implementing these new policies would occur after divestiture of low dollar value GFE and when replacement or new facility contracts are to be established. However, the goal for CFO compliance by 30 September 2006 does not make this possible for every contract.

Enclosure 2

Step 2: The SAAL-PP revises Army Federal Acquisition Regulation Supplement (AFARS) with a new accountability policy. The following two procedures will be added to the AFARS by 31 January 2005:

AFARS 5145.392 - Maintenance of Records of Contracts Bearing Government Property at Government-Owned, Government-Operated (GOGO) and Contractor-Owned, Contractor-Operated (COCO): Each contracting activity must maintain a record of all open contracts that provide for Government property to be furnished to or acquired by the contractor. Fiduciary records for Government Furnished Equipment (GFE), special tooling (ST), special test equipment (STE) and Contractor Acquired Property (CAP) shall be maintained by the installation property book office IAW AR 735-5. Hand receipt responsibilities in AR 710-2 will be performed by the requirements office for GFE, ST, STE and CAP.

AFARS 5145.502 Communication link for fiduciary records at GOGO and COCO facility contracts: The facilities contracting officer will appoint an Administrative Contracting Office. This appointment will include special instructions for the property administrator to ensure the contractor establishes procedures to inform the property administrator on all transactions that add, delete and transfer GFE, ST, STE and CAP. The property administrator will provide these changes to the installation property book office designated by the contracting officer. This procedure maintains the Government's fiduciary records for GFE, ST, STE and CAP.

The DoD Property Manual, DoD 4161.2-M, is currently being rewritten. Army representatives are engaged in this process to improve the communication among the contracting officer, hand receipt holder (PM/requirements office), installation property book officer, property administrator and the contractor.

Step 3: Divest GFE with an acquisition cost < \$5,000. This step implements an Army business initiative approved on 14 September 2004. The DoDI 5000.64 requires Army to maintain fiduciary records and the contractor to maintain stewardship records for all Government furnished property. Two theories support adoption of this business initiative: (1) the cost of accounting for this property exceeds the value of this property, (2) this low dollar value property is unlikely to have the characteristics in Federal Acquisition Regulation (FAR) 45.302-1. The contracting officer will implement this initiative by providing disposition instructions to the contractor to dispose of this property at the end of the facility contract. If the contracting officer recognizes a potential for this property to be used in a follow-up supply of service contract, the plant clearance of the property will be timed to allow the follow-on facility contractor to purchase the surplus property at an on-site disposal sale. Mr. Pieper will develop a disposal plan to implement this business initiative based on the data furnished from step 1.

Step 4: Program manager or requirements office prepares findings why GFE is required. FAR 45.302-1 and DoDD 4275.5 require a determination and findings (D&F) be prepared IAW FAR 1.7. The PM is responsible for market research for their assigned items. This research is the basis for concluding that the private sector does not have the facilities in question and do not have the incentive to invest in the facilities because the acquisition strategy does not provide sufficient opportunity to amortize the investment (reference AR 700-90, paragraph 3-4a). The findings must document that furnishing Government facilities to a contractor is in the public interest. Policy in FAR 45.302-1(d) dictates that facilities with a unit price < \$10,000 shall not be provided unless one of the 5 conditions exist. Policy in AR 700-90, paragraph 5-4 provides that GFE with an acquisition cost less than \$5,000 will not be authorized for use unless each item can explicitly demonstrate characteristics in FAR 45.302-1. Policy in AR 700-90, paragraph 5-6 also requires the PM to address his plan for phase down of ownership of Government-owned property. Note that the Defense Federal Acquisition Regulation Supplement (DFARS) defines "Facilities project" as a Government project to provide, modernize or replace facilities for use by a contractor in performing a Government contract or subcontract.

Step 5: Contracting Officer prepares a D&F. The contracting officer reviews the PM's findings. The contracting officer prepares a D&F and his signature means that he agrees the characteristics satisfy the policy in FAR 45.302-1. The D&F is approved by DASA(P&P), unless the facility project exceeds the threshold in DoDD 4275.5, which requires approval by DUSD(IP).

Step 6: Approval of D&F. SAAL-PA will be responsible for obtaining approval or disapproval of the determination by DASA(P&P) or DUSD(IP). Approval will be based on adherence to Army policy or defensible justification for exceptions.

Step 7: The DPAS Program Management Office (PMO) and IBM establish the GFP Asset Listings by contract into DPAS from the contractor's legacy system. The contracting officer will need to help the DPAS PMO gain access to the contractor's stewardship records. The DPAS PMO will work with the installation property book office designated in step 1. The DPAS PMO will use the DPAS data mapping conversion process to electronically duplicate the contractor's stewardship records into the GFP Asset Listings by contract. IBM will assist the contractor with data validation.

Step 8: The Property Administrator will ensure the contractor's property procedures accurately maintain the fiduciary records in the GFP Asset Listings by contract. Once the records are loaded into DPAS there will need to be a system for maintaining the GFP Asset Listing.